

Senate File 501 - Introduced

SENATE FILE 501
BY FEENSTRA

A BILL FOR

1 An Act relating to taxation by modifying provisions relating
2 to the percentage of actual value at which certain
3 classifications of property are assessed for property tax
4 purposes, establishing tax credits for certain commercial
5 property taxes paid, and including applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 422.11Y Commercial property tax
2 credit.

3 1. The taxes imposed under this division, less the credits
4 allowed under section 422.12, shall be reduced by a commercial
5 property tax credit. An owner of real property assessed as
6 commercial property, or new commercial property, as defined in
7 section 441.21, located in the state is eligible to receive
8 a tax credit equal to three percent of the total amount of
9 property taxes paid by the owner during the tax year on all
10 such commercial property or new commercial property owned by
11 the person within the state.

12 2. For purposes of this section, an individual may claim
13 a commercial property tax credit incurred by a partnership,
14 S corporation, limited liability company, estate, or trust
15 electing to have the income taxed directly to the individual.
16 The amount claimed by the individual shall be based upon the
17 pro rata share of the individual's earnings of a partnership, S
18 corporation, limited liability company, estate, or trust.

19 3. Any credit in excess of the tax liability imposed by
20 section 422.5 less the amounts of nonrefundable credits allowed
21 under this division for the taxable year shall be refunded with
22 interest computed under section 422.25. In lieu of claiming
23 a refund, a taxpayer may elect to have the overpayment shown
24 on the taxpayer's final, completed return credited to the tax
25 liability for the following taxable year.

26 Sec. 2. Section 422.33, Code 2011, is amended by adding the
27 following new subsection:

28 NEW SUBSECTION. 29. The taxes imposed under this division
29 shall be reduced by a commercial property tax credit. A
30 corporation that owns real property assessed as commercial
31 property, or new commercial property, as defined in section
32 441.21, located in the state is eligible to receive a tax
33 credit equal to three percent of the total amount of property
34 taxes paid during the tax year on all such commercial property
35 or new commercial property owned by the corporation within

1 the state. Any credit in excess of the tax liability for the
2 taxable year shall be refunded with interest computed under
3 section 422.25. In lieu of claiming a refund, a taxpayer
4 may elect to have the overpayment shown on the taxpayer's
5 final, completed return credited to the tax liability for the
6 following taxable year.

7 Sec. 3. Section 422.60, Code 2011, is amended by adding the
8 following new subsection:

9 NEW SUBSECTION. 13. The taxes imposed under this division
10 shall be reduced by a commercial property tax credit in the
11 same manner, for the same amount, and under the same conditions
12 as provided in section 422.11Y.

13 Sec. 4. NEW SECTION. **432.12M Commercial property tax**
14 **credit.**

15 The taxes imposed under this chapter shall be reduced by a
16 commercial property tax credit in the same manner, for the same
17 amount, and under the same conditions as provided in section
18 422.11Y.

19 Sec. 5. Section 441.21, subsection 5, Code 2011, is amended
20 to read as follows:

21 5. a. For valuations established as of January 1, 1979,
22 commercial property and industrial property, excluding
23 properties referred to in section 427A.1, subsection 8, shall
24 be assessed as a percentage of the actual value of each class
25 of property. The percentage shall be determined for each
26 class of property by the director of revenue for the state in
27 accordance with the provisions of this section. For valuations
28 established as of January 1, 1979, the percentage shall be
29 the quotient of the dividend and divisor as defined in this
30 section. The dividend for each class of property shall be the
31 total actual valuation for each class of property established
32 for 1978, plus six percent of the amount so determined. The
33 divisor for each class of property shall be the valuation
34 for each class of property established for 1978, as reported
35 by the assessors on the abstracts of assessment for 1978,

1 plus the amount of value added to the total actual value by
2 the revaluation of existing properties in 1979 as equalized
3 by the director of revenue pursuant to section 441.49. For
4 valuations established as of January 1, 1979, property valued
5 by the department of revenue pursuant to chapters 428, 433,
6 437, and 438 shall be considered as one class of property and
7 shall be assessed as a percentage of its actual value. The
8 percentage shall be determined by the director of revenue in
9 accordance with the provisions of this section. For valuations
10 established as of January 1, 1979, the percentage shall be
11 the quotient of the dividend and divisor as defined in this
12 section. The dividend shall be the total actual valuation
13 established for 1978 by the department of revenue, plus ten
14 percent of the amount so determined. The divisor for property
15 valued by the department of revenue pursuant to chapters 428,
16 433, 437, and 438 shall be the valuation established for 1978,
17 plus the amount of value added to the total actual value by
18 the revaluation of the property by the department of revenue
19 as of January 1, 1979. For valuations established as of
20 January 1, 1980, commercial property and industrial property,
21 excluding properties referred to in section 427A.1, subsection
22 8, shall be assessed at a percentage of the actual value of
23 each class of property. The percentage shall be determined
24 for each class of property by the director of revenue for the
25 state in accordance with the provisions of this section. For
26 valuations established as of January 1, 1980, the percentage
27 shall be the quotient of the dividend and divisor as defined in
28 this section. The dividend for each class of property shall
29 be the dividend as determined for each class of property for
30 valuations established as of January 1, 1979, adjusted by the
31 product obtained by multiplying the percentage determined
32 for that year by the amount of any additions or deletions to
33 actual value, excluding those resulting from the revaluation
34 of existing properties, as reported by the assessors on the
35 abstracts of assessment for 1979, plus four percent of the

1 amount so determined. The divisor for each class of property
2 shall be the total actual value of all such property in 1979,
3 as equalized by the director of revenue pursuant to section
4 441.49, plus the amount of value added to the total actual
5 value by the revaluation of existing properties in 1980. The
6 director shall utilize information reported on the abstracts of
7 assessment submitted pursuant to section 441.45 in determining
8 such percentage. For valuations established as of January 1,
9 1980, property valued by the department of revenue pursuant
10 to chapters 428, 433, 437, and 438 shall be assessed at a
11 percentage of its actual value. The percentage shall be
12 determined by the director of revenue in accordance with the
13 provisions of this section. For valuations established as of
14 January 1, 1980, the percentage shall be the quotient of the
15 dividend and divisor as defined in this section. The dividend
16 shall be the total actual valuation established for 1979 by
17 the department of revenue, plus eight percent of the amount so
18 determined. The divisor for property valued by the department
19 of revenue pursuant to chapters 428, 433, 437, and 438 shall be
20 the valuation established for 1979, plus the amount of value
21 added to the total actual value by the revaluation of the
22 property by the department of revenue as of January 1, 1980.
23 For valuations established as of January 1, 1981, and each year
24 thereafter, the percentage of actual value as equalized by the
25 director of revenue as provided in section 441.49 at which
26 commercial property that is not new commercial property, as
27 defined in paragraph "b", and industrial property, excluding
28 properties referred to in section 427A.1, subsection 8, shall
29 be assessed shall be calculated in accordance with the methods
30 provided herein, except that any references to six percent
31 in this subsection shall be four percent. For valuations
32 established as of January 1, 1981, and each year thereafter,
33 the percentage of actual value at which property valued by
34 the department of revenue pursuant to chapters 428, 433, 437,
35 and 438 shall be assessed shall be calculated in accordance

1 with the methods provided herein, except that any references
2 to ten percent in this subsection shall be eight percent.
3 Beginning with valuations established as of January 1, 1979,
4 and each year thereafter, property valued by the department of
5 revenue pursuant to chapter 434 shall also be assessed at a
6 percentage of its actual value which percentage shall be equal
7 to the percentage determined by the director of revenue for
8 commercial property, industrial property, or property valued by
9 the department of revenue pursuant to chapters 428, 433, 437,
10 and 438, whichever is lowest.

11 b. (1) For valuations established on or after January 1,
12 2012, but before January 1, 2016, new commercial property,
13 excluding properties referred to in section 427A.1, subsection
14 8, shall be assessed as a percentage of the actual value as
15 determined in this paragraph "b".

16 (2) For valuations established for assessment years
17 beginning on or after January 1, 2012, but before January
18 1, 2016, the percentage of actual value as equalized by the
19 director of revenue as provided in section 441.49 at which new
20 commercial property shall be assessed shall be sixty percent.

21 (3) For purposes of this section, "new commercial property"
22 means a parcel of real estate containing no buildings or
23 structures on July 1, 2011, upon which the construction of
24 buildings or structures is commenced after July 1, 2011, and
25 that, but for this paragraph, would be assessed under paragraph
26 "a". "New commercial property" shall be considered a separate
27 classification of property.

28 Sec. 6. Section 441.21, subsection 8, paragraph b, Code
29 2011, is amended to read as follows:

30 b. Notwithstanding paragraph "a", any construction or
31 installation of a solar energy system on property classified
32 as agricultural, residential, commercial, new commercial, or
33 industrial property shall not increase the actual, assessed and
34 taxable values of the property for five full assessment years.

35 Sec. 7. Section 441.21, subsections 9 and 10, Code 2011, are

1 amended to read as follows:

2 9. Not later than November 1, 1979, and November 1 of
3 each subsequent year, the director shall certify to the
4 county auditor of each county the percentages of actual
5 value at which residential property, agricultural property,
6 commercial property, new commercial property, industrial
7 property, and property valued by the department of revenue
8 pursuant to chapters 428, 433, 434, 437, and 438 in each
9 assessing jurisdiction in the county shall be assessed for
10 taxation. The county auditor shall proceed to determine the
11 assessed values of agricultural property, residential property,
12 commercial property, new commercial property, industrial
13 property, and property valued by the department of revenue
14 pursuant to chapters 428, 433, 434, 437, and 438 by applying
15 such percentages to the current actual value of such property,
16 as reported to the county auditor by the assessor, and the
17 assessed values so determined shall be the taxable values of
18 such properties upon which the levy shall be made.

19 10. The percentage of actual value computed by the
20 director for agricultural property, residential property,
21 commercial property, new commercial property, industrial
22 property, and property valued by the department of revenue
23 pursuant to chapters 428, 433, 434, 437, and 438 and used to
24 determine assessed values of those classes of property does not
25 constitute a rule as defined in section 17A.2, subsection 11.

26 Sec. 8. Section 533.329, subsection 2, Code 2011, is amended
27 by adding the following new paragraph:

28 NEW PARAGRAPH. 1. The moneys and credits tax imposed under
29 this section shall be reduced by a commercial property tax
30 credit in the same manner, for the same amount, and under the
31 same conditions as provided in section 422.11Y.

32 Sec. 9. APPLICABILITY.

33 1. The sections of this Act amending section 441.21 apply
34 to property tax assessment years beginning on or after January
35 1, 2012.

1 2. The sections of this Act enacting section 422.11Y,
2 section 422.33, subsection 29, section 422.60, subsection 13,
3 section 432.12M, and section 533.329, subsection 2, paragraph
4 "1", apply to tax years beginning on or after January 1, 2012.

5 EXPLANATION

6 This bill establishes a new commercial property
7 classification. "New commercial property" is defined in
8 the bill as a parcel of real estate containing no buildings
9 or structures on July 1, 2011, upon which the construction
10 of buildings or structures is commenced after July 1, 2011,
11 and that, but for the classification, would be assessed as
12 commercial property. For assessment years beginning on or
13 after January 1, 2012, the percentage of actual value at which
14 new commercial property is assessed is 60 percent.

15 The bill also makes corresponding changes to other
16 provisions of Code section 441.21.

17 The bill establishes an individual income tax credit for
18 persons who own and pay property taxes on commercial property
19 or new commercial property, as defined in the bill, located
20 in the state. Each person is eligible to receive an income
21 tax credit equal to 3 percent of the total amount of property
22 taxes paid by the person during the tax year on all commercial
23 property owned by the person within the state. The tax credit
24 is refundable.

25 The bill establishes a corporate income tax credit for
26 corporations that own and pay property taxes on commercial
27 property or new commercial property, as defined in the bill,
28 located in the state. Each corporation that owns and pays
29 property taxes on commercial property or new commercial
30 property located in the state is eligible to receive a tax
31 credit equal to 3 percent of the total amount of property taxes
32 paid during the tax year on all commercial property or new
33 commercial property owned by the corporation within the state.
34 Any credit in excess of the tax liability is refundable.

35 The bill also provides a commercial property tax credit

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1 against the franchise tax, the insurance premiums tax, and the
2 moneys and credits tax imposed under Code chapters 422, 432,
3 and 533, respectively. Such credits are for the same amount
4 and are administered in the same manner as the individual
5 income tax credit created in the bill.

6 The bill applies to property tax assessment years beginning
7 on or after January 1, 2012. The sections of the bill enacting
8 new Code sections 422.11Y and 432.12M, Code section 422.33, new
9 subsection 29, Code section 422.60, new subsection 13, and Code
10 section 533.329, subsection 2, new paragraph "1", apply to tax
11 years beginning on or after January 1, 2012.